A STUDY ON STARTUP IN INDIA

ISSUES, CHALLENGES

AND

OPPORTUNITIES BY GOVERNMENT POLICIES

SYNOPSIS
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A Study on Startup in India, Issues, Challenges and Opportunities by Government Policies

INTRODUCTION

Today corporate culture impaired your personal life, family life & social life. So most of the employees think about self-employment. From the day of The Campaign was First announced by Prime Minister Narendra Modi in his 15 August 2015 address from Red Fort. Prime Minister Aimed to make India, one of the largest and vigorous startup ecosystems in the world, PM Modi's flagship initiative Startup India programme took a slew of policy initiatives to build a strong, conducive, growth-oriented environment for Indian startups and thereby help generate lakhs of job opportunities in the country.

It was launched on the 16th of January, 2016 by Prime Minister Narendra Modi at Vigyan Bhawan, New Delhi. After four month of announcement Prime Minister launched Startup India.

The Nineteen incubation centers under Startup India are running, which help easier patent filing, tax exemptions, ease of setting-up of business, an INR 10,000 Cr fund, and a faster exit mechanism, among other things. Startup India: Enabling A Conducive ecosystem beyond "Jugaad".

Startup India scheme launched for those people who have ideas and capability so government will give them support to make sure they can implement their idea and grow. Every person had grow idea in their mind but due to some technical experience, product and service experience, market place experience, viability of product and customer approach experience not able to execute their ideas. Government provide the solution to those person by startup meets and incubation centers.

Startup India is an uprising plan that has been started to help the people, who want to start their own business. Startups are created to commercially explore an idea with innovative potential. To do so, they need a set of technical and business capabilities, efficiently allocating resources to obtain a product with market value. That being said, this study aims to identify how innovation capabilities are arranged in startups.

NEED OF THE RESEARCH:-

Today's scenario everyone got higher study to do a good job, parents also focus on the same thing for his/her child. They use their skills for multinational corporate because they feel it's the best and safest option of life. Due to this approach we use 90% Chinese product which are destroy our economy. Next war would be economic war due to our safest job approach.

Every startup need to do a through analysis of what the market needs. If you are prepared with good market study information and analysis, then you would have a better chance of proving the viability of your business. A new startup can be both exciting and frightening. There are lots of useful things to consider - locality, size, human resources, quality control, etc. And then there are the anxieties and concerns: "Will I make it?" "Am I in over my head?" "Where do I start?" Legal regulations and policy are always changing; updates can be obtained during the many state agencies that are listed within this handbook. Finally, keep in mind that it is essential to check with both your city and county clerk before undertaking any business venture.

Today's everyone knows about startup but they don't know 70% to 90% startup goes failed. Mainly reason for crash is lack of innovation — 77% of venture capitalists surveyed think that Indian startups lack new technologies or unique business models. We always follow others startup ideas that are not called startup those are business modal. Here below the list of Indian clones of the Western Startup, although there's a lot more.

Flipkart/Snapdeal (2009) → Amazon (1994)

Ola (2010) → Uber (2009)

Zomato (2008) → Yelp (2004)

BookMyShow (2007) → Fandango (2000)

MakeMyTrip (2000) → Expedia (1996)

We have to keep one thing in our mind that every Society has its own problem And So we have to find solutions for our own unique problems, possibly the solution can go worldwide and that's the only way to build a world-class Indian startup.

STARTUP FAILURE RATE STATISTICS

Of all small businesses started in 2014:

80 % failure in the second year (2015);

70 % failure in the third year (2016);

62 % failure in the fourth year (2017);

56 % failure in the fifth year (2018).

A probability checklist should be used to work out a business plan before investing extensive time, money and effort in the process. It can be used to examine an existing business chance or a new venture. The queries focus on areas you need to take into account seriously to see if your plan represents a true business chance.

OBJECTIVES

Objectives of the research work are as follows:

1 For Promote new technology/ knowledge/ innovation based startups
2 To Make India Nation of " Job Creator" and not Jobs Seeker"
3 Attract Capital and technological investment in India
4 For make a exciting startup ecosystem, by establish a system between academia, financial institutions, industries, and other institutes

REVIEW OF LITERATURE:-

The review of the literature forms a very essential part of any research work. Before starting any research topic, the researcher must know till what extend the past studies has been done. It also entails how your research must focus on the existing problem statement to optimize the already existing solutions. It not only justifies the research methodology which he/she intends to undertake, but also helps to have introspection how prepared you are to complete the intended research. This is very helpful in generating new ideas for the problem statement and avoids duplicating the work with other's research, hence avoid chances of Plagiarism. In the broader terms, it has the following advantages.

- It helps the concerned authorities to know that the researcher has done lot of study of the existing knowledge of the chosen subject.
- It also helps the concerned authorities to know that the researcher has done has a deep understanding of the topic.

Government think factory NITI Aayog launched the Atal Innovation Mission to foster innovation among budding entrepreneurs at the grassroots level. As a part of this, 5,441 Atal Tinkering Labs have been set up across the country. In the Union allow 2018, the govt. conjointly allotted $480 Mn (INR 3414.19 Cr) for new-age technologies to additional support innovation within the Indian startup system

- Between the year 2016 to 2019, only 15,113 startups were documented under the Startup India programme across 492 districts in 29 states and six Union territories
- 55% of the documented startups are from Tier 1 cities, 27% from Tier 2 cities, and 18% are from Tier 3 cities
- 13,176 documented startups have reportedly created 1,48,897 jobs with an average of 11 employees per startup

- 45% documented startups have at least one or more women directors
- 24 Indian states have introduce a startup policy
- The government prepared 22 regulatory amendments and approved 1,275 patent rebates in the last three years
- More than 288.16 thousands registered users are there on the Startup India hub
- Startup India Hub has addressed 121.83 thousands queries and facilitated 673 startups
- More than 233.27 thousands have registered under the Startup India learning programme

(Source: *Startup India*)

In the past few years, several states have taken the onus to build their own incubators, co-working hubs, etc, to boost the innovation in the state. Earlier, defence minister Nirmala Sitharaman had asked local MPs to set up co-working spaces in their constituencies.

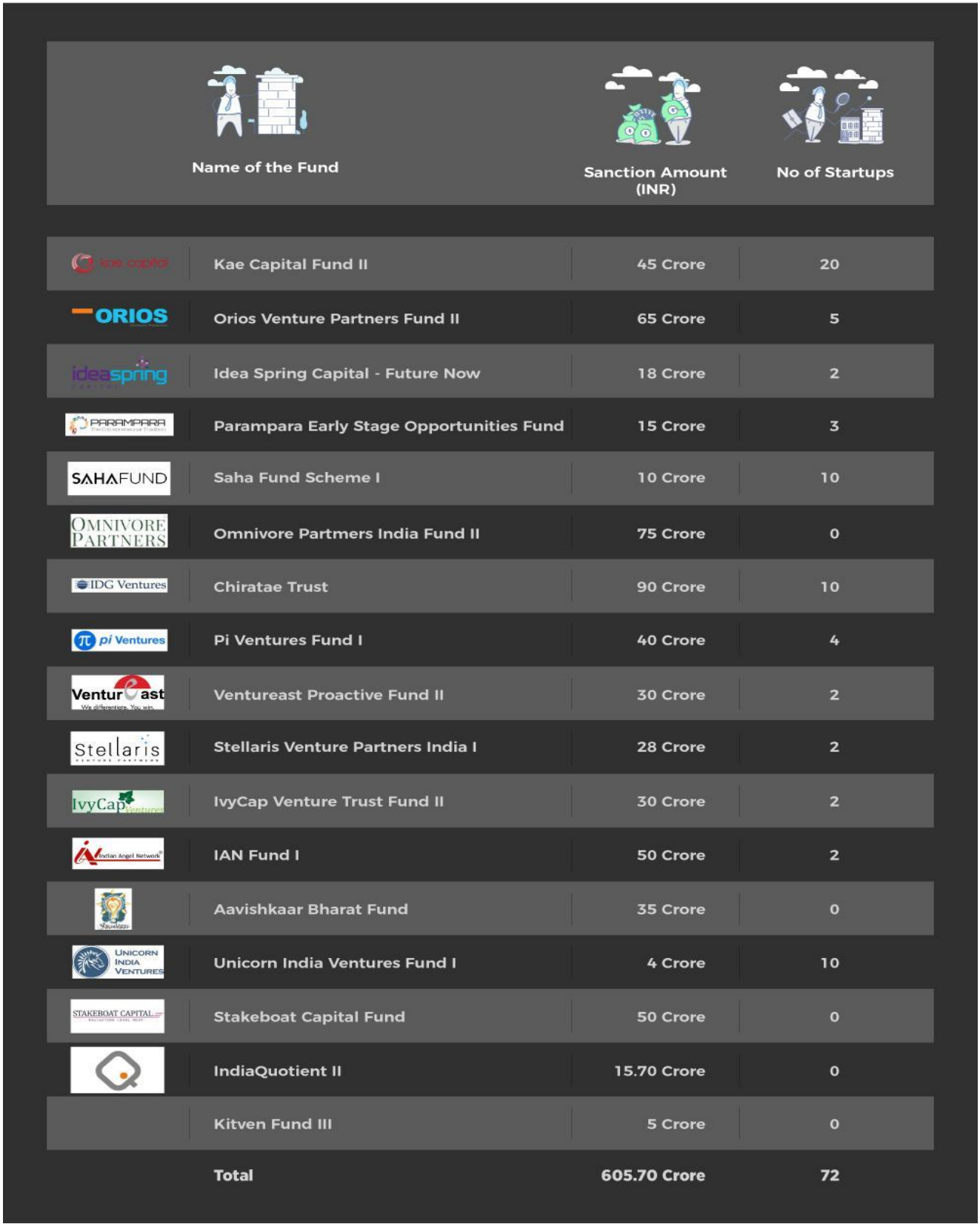
Recently, Rajasthan launched Bhamashah Techno Hub, one of the largest incubators in the country, and Kerala launched one of the biggest coworking spaces in India. Karnataka announced a credit line of INR 2,000 Cr ($281 Mn) for the startup ecosystem in the state, with an aim to have at least 20,000 startups by 2020.

Telangana, Andhra Pradesh, Odisha, Madhya Pradesh, and Gujarat are some other states that offer end-to-end support to startups and have come up great initiatives to boost their respective ecosystems.

On June 22, 2016, the Union Cabinet truly approved the fund and selected SIDBI for the disbursement of the Fund of Funds' corpus to eligible startups through AIFs (Alternative Investment Funds) registered with the SEBI.

We have listed down the entire funding AIFs have received from SIDBI below Fund of Funds as a part of Startup India set up. Apart from fund details, we've conjointly enclosed the amount of startups that are funded by all of them

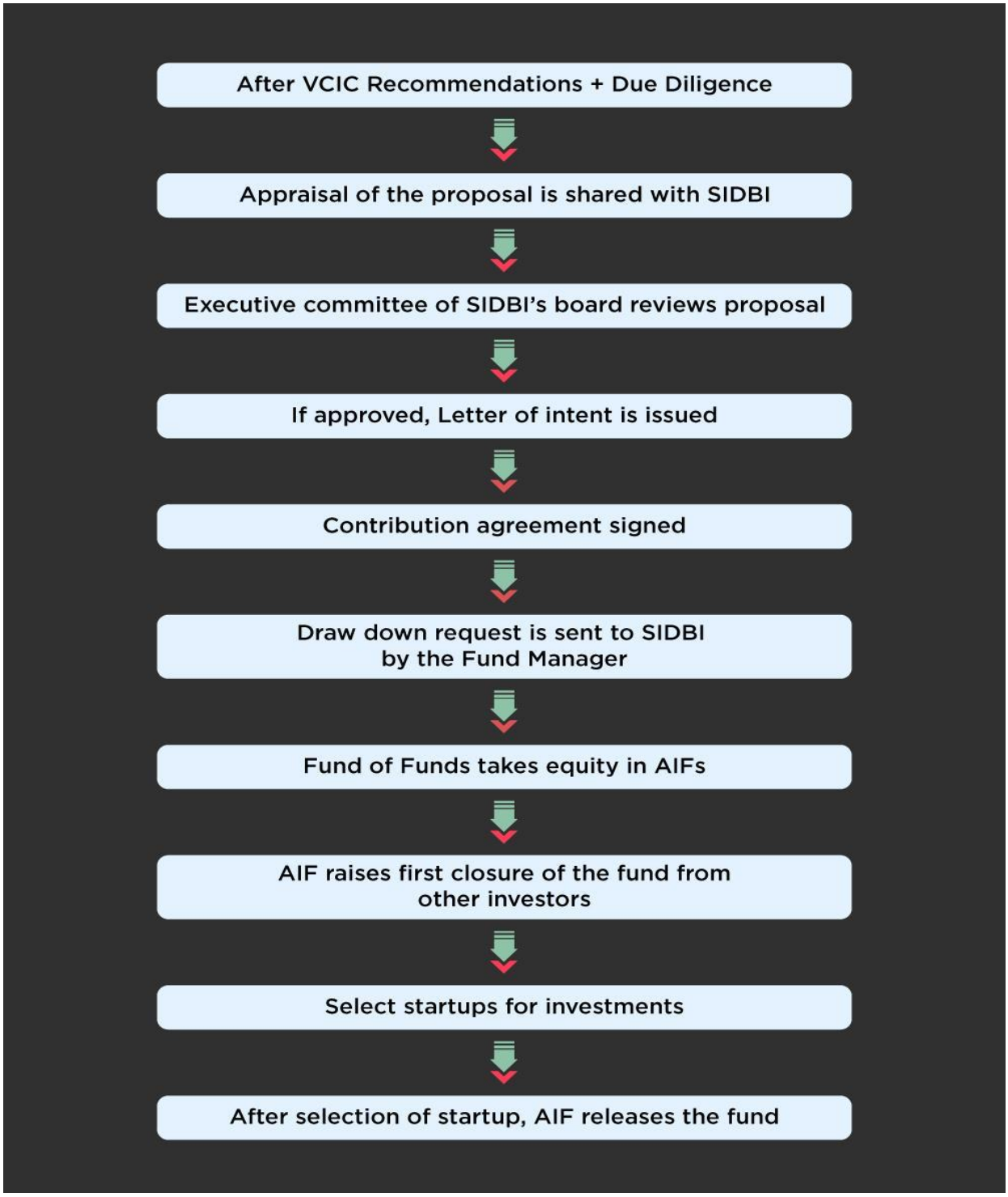
below.



Name of the Fund	Sanction Amount (INR)	No of Startups
Kae Capital Fund II	45 Crore	20
Orios Venture Partners Fund II	65 Crore	5
Idea Spring Capital - Future Now	18 Crore	2
Parampara Early Stage Opportunities Fund	15 Crore	3
Saha Fund Scheme I	10 Crore	10
Omnivore Partmers India Fund II	75 Crore	0
Chiratae Trust	90 Crore	10
Pi Ventures Fund I	40 Crore	4
Ventureast Proactive Fund II	30 Crore	2
Stellaris Venture Partners India I	28 Crore	2
IvyCap Venture Trust Fund II	30 Crore	2
IAN Fund I	50 Crore	2
Aavishkaar Bharat Fund	35 Crore	0
Unicorn India Ventures Fund I	4 Crore	10
Stakeboat Capital Fund	50 Crore	0
IndiaQuotient II	15.70 Crore	0
Kitven Fund III	5 Crore	0
Total	605.70 Crore	72

In order to avail funds, Associate in Nursing eligible VC fund 1st makes an in depth presentation before the risk capital Investment Committee (VCIC). The

VCIC has been created by SIDBI and includes external specialists like Mohandas Pai, Sanjeev Bikhchandani, Saurabh Srivastava, H.K.Mittal, Prof. Vaidyanathan, Kiran Karnik, and more. Looking forward, the following procedure needs to be followed by an AIF:


After VCIC Recommendations + Due Diligence
Appraisal of the proposal is shared with SIDBI
Executive committee of SIDBI's board reviews proposal
If approved, Letter of intent is issued
Contribution agreement signed
Draw down request is sent to SIDBI by the Fund Manager
Fund of Funds takes equity in AIFs
AIF raises first closure of the fund from other investors
Select startups for investments
After selection of startup, AIF releases the fund

We now understand the allocation method, here is a brief summary of startups selected and funded so far under Fund of Funds. It is to be noted that though the Startup India website claims to have 75 startups, however, we found just 70 unique startups. Information regarding 2 startups was repetitive and names of 3 startups were missing from the list mentioned on the Startup India web site.

Fund Of Funds Indian Startup Portfolio

Current Status of Startups

75

Total number of Startups

62

Number of Startups that are active

3

Number of Startups which got acquired

5

Number of startups which shut down

5

Number of Startups with no information

Source: SIDBI

Note: Of the seventy five startups funded beneath Fund of Funds (as claimed by DIPP), the status of 5 has not been cleared yet. The list offered on SIDBI Venture Fund Claims to Disclose seventy two startups. solely seventy of them square measure distinctive whereas a pair of square measure repetitive.

Government Loan For Business Startups In India

1. The Credit Guarantee Scheme (CGS)

The credit guarantee theme for small and tiny enterprises was launched by the govt. of India, to form on the market collateral free credit to the small and tiny enterprises sector. New and the existing enterprises both are covered under this scheme. This theme helps small enterprises and 1st generation entrepreneurs, avail small business loans at a reasonable interest rates. The amount of loan given to any soul, depends on the individual's eligibility and feasibility of the business. Amount Rs 100 lakhs is the maximum limit. The theme conjointly caters to strengthen and rehabilitate existing sick units.

With Small Industries Development Bank of India as its partner, The Government of India is running this scheme (CGS), which gives unsecured loans to Micro and Small Enterprises. A most of Rs one hundred Lakhs are often borrowed within the variety of Term Loans or assets Loans.

Both inventive and little Enterprises occupied with assembling or administration exercises aside from in instructive establishments, Agriculture, Self Help Groups (SHGs) and Training Institutions can profit these credits.

2. MUDRA Loan Scheme

The Motive of gesture (Micro Units Development and finance Agency Ltd) theme, is to produce adequate funds to the small units and also the non company tiny sector. The government has known the dearth of considerable funds needed for the expansion of the tiny and medium scale business within the country. The theme has been designed keeping in mind the stage of growth and funding necessities of the beneficiary small units so is categorized below 3 stages. They are:

Under the MUDRA Loan scheme can get loan as per client requirements. The loans under this scheme are security free loans.

Micro Units Development and Refinance Agency Ltd. also sound a name MUDRA, is an agency introduced by the Government of India. It introduced to funds non-corporate small business sectors in the country. The loans under MUDRA are approved for non-farm income-generating activities.

You can avail the following loans under MUDRA:

- Shishu: In this scheme loan provide up to Rs 50,000 without any collateral, @1% rate of interest/month, repayable over a period of 5 years.
- Kishor: In this scheme provide loans above Rs 50,000 and up to Rs 5 Lakhs.
- Tarun: In this scheme provide loans above Rs 5 Lakhs and up to Rs 10 Lakhs.

  These loans ar designed supported the stage of business and funding desires of the beneficiary

3. Stand Up India Scheme

Continuous loan series having Stand-Up India Scheme Facilitates loans between Rs 10 Lakhs and 1 Crore, to a minimum of one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower for surroundings up a greenfield enterprise. In this scheme enterprise may be in manufacturing, services or the trading sector. The loans are approved to at least one lady receiver per bank branch. Standup India scheme aims at promoting woman entrepreneurship among the scheduled castes and scheduled tribes.

Stand Up India is a government special scheme which aims to economically make powerful SC/ST and women entrepreneurs of the country. It also aims to get free of License Raj and set up Greenfield enterprises. Under this scheme amount range from Rs 10 Lakhs to Rs 1 Crore can be borrowed to start a manufacturing, trading or service unit. The loan tenure is 7 years. These loans are given atleast one women and one SC or ST category borrower per bank branch.

4. Bank Credit Facilitation Scheme

This was started by National Small Industries Corporation, to fund MSMEs registered in India. National Small Industries Corporation has combined with various national and private sector banks and arranges credit support from banks at no cost to the MSMEs. Repayment of loan tenure depends on the income generated. It provide loan from 5-7 years and can go up to 11 years in exceptional cases.

5. Coir Udyami Yojana

This scheme aims to set coir units across India. Total Fund provide up to Rs 10 Lakh and one cycle of working capital. The total funds lent should not exceed 25% of the project cost. The capital expenditure is financed through a working capital in cash credit (short term cash loan) and term loan. Interest rate will be at par with the base rate. Repayment of loan under this scheme is to be made within 7 years.

6. Market Development Assistance Scheme for MSMEs:

Under Marketing Development Assistance scheme facilitates and helps the micro, small and medium enterprises gain exposure by participating in international exhibitions and trade fairs under the MSME India kiosk. This scheme aimed at displaying the potential as well as growth the small and medium manufacturing units.

7. (NABARD)National Bank for Agriculture and Rural Development:

(NABARD) National Bank for Agriculture and Rural Development is a development bank that aims to provide and regulate credit and other facilities that helps to support and develop agriculture, cottage and small industries, handicrafts and village industries. NABARD acts as a facilitator for rural wealth promoting institutional development by evaluating, monitoring and inspecting the client banks.

How to apply for government loan?

Loan borrowers are required to carry the necessary paper work and submit the necessary documents to avail these loans. Startup Loan schemes are backed by the government, some of the loans are collateral free. Below few documents required to carry before applying for the loan:

1. Personal background: Crimes committed can disqualify the applicant or delay the process of sanctioning the loan
2. Resume or business background: details of the business and the applicants experience in growing the business will be asked for.
3. Business plan: the applicant needs to write a well thought business plan in the loan application.
4. Personal and business tax returns: applicant must submit personal and business tax returns for the past 3 years.
5. Financial statement: applicant must submit the profit and loss statements, bank statements, balance sheets, and cash flow forecasts.
6. Legal documents: applicant must provide proof that the business is run legally.

7. Collateral (if required): Collateral will strengthen your profile and may help you get a bigger amount of loan.

Startup India registration:

Process to apply for startup India loans:

1. Log on to startup India portal
2. Enter your legal entity
3. Enter your business registration number
4. Enter the registration date
5. Enter your PAN number
6. Enter the address, pin code and state
7. Enter details of authorized representatives
8. Enter the details of partners
9. Upload the required document by self attestation
10. File the registration certificate of the company

Startup business loan eligibility:

Startup India Scheme is a program of the Indian government, the primary purpose of which is the promotion of startups, generation of employment, and wealth creation. Startup business loan eligibility criteria as follows:

1. It should be a new firm or not older than 5 years. The total turnover of the firm should not exceed Rs 25 crores.
2. The company must be a private limited company or a limited liability partnership (LLPs).
3. To get approval from DIPP, the firm should be funded by an Incubation fund, Angel Fund or Private Equity Fund.
4. The firm should have obtained a patron guarantee from the Indian patent and trademark office.

5. The firm must have a letter by incubation.
6. The firm must provide innovative scheme and products
7. The firms should have obtained the approval from the Department of Industrial Policy and Promotion (DIPP).
8. Angel fund, Incubation fund, Accelerators, Private Equity Fund, Angel network must be registered with SEBI.

Startup business loan interest rate:

The rates of interest and tenure of repayment vary across banks. However, the interest rate ranges from 10.99% to 21% a year. The tenure of repayment of the loan is up to 5 years.

RESEARCH METHODOLOGY

Research is necessary to decide if your business idea has a chance of being successful. In the method of business research, all types of data are collected in order to better define the startup's focus and to determine what products and services that customers really want. Startup or business researchers utilize a variety of **research method** to gather relevant data so that business enterprises can make educated decisions. If you want to expand your startup or business, research can help you determine your odds of success.

We will look at five research methods:-

1. Data collection/analysis
2. Surveys
3. Interviews and focus groups
4. Website Traffic data
5. Case studies

Research has a systematic method that focuses on being objective and collecting a multitude of information for analysis so that the researcher can come to a

conclusion. The research process is a multiple-step process where the steps are interlinked with the other steps in the process. If first step of the process has change, the researcher must review all the other steps to ensure that the changes are reflected during the process. Parks and activity professionals are often involved in conducting research or review projects within the agency. These professionals have to know the eight steps of the research method as they apply to conducting a study.

Step 1: Identify the Problem

To start the process is to identify a problem or develop a research question. The research difficulty may be something the agency found as a problem, some information or knowledge that is required by the agency, or the desire to identify a recreation trend nationally.

Step 2: Review the Literature

Continued with the second step problem has been identified, the investigator must learn more on the topic under investigation. After doing this, the researcher must review the literature related to the research problem. This step provides introductory knowledge about the difficulty area. The review of literature also instruct the researcher about what knowledge have been conducted in the past, how these studies were conducted, and the conclusions in the problem area.

Step 3: Clarify the Problem

Several times the primary problem acknowledged in the first step of the process is too large or broad in scope. In the Third Stage of the process, the researcher clarifies the difficulty and narrows the scope of the study. This can solely be done when the literature has been reviewed.

The data gained through the review of literature guides the scientist in elucidative and narrowing the scientific research.

Step 4: Define the Methodology

Terms and ideas area unit words or phrases employed in the aim statement of the study or the outline of the study. These items have to be compelled to be specifically outlined as they apply to the study. Terms or ideas typically have completely different definitions looking on United Nations agency is reading the study. To minimize confusion concerning what the terms and phrases mean, the researcher must specifically define them for the study.

Step 5: Writing a Research Proposal.

Research comes will specialize in a particular cluster of individuals, facilities, park development, employee evaluations, programs, financial status, marketing efforts, or the integration of technology into the operations.

A research proposal is needed to:

A. Clarify the key elements of the research.
B. Develop the initial 'work-plan'
C. Assess resources
D. Provide sufficient information for readers to evaluate the study
E. Get formal sanction
F. Get funding for the research

Step 6: Develop the Instrumentation Plan

The plan for the study is referred to as the instrumentation plan. The instrumentation set up is the road map for the complete study, specifying who will participate in the study; how, when, and where data will be collected; and the content of the program. The scientist develops the set up for the walking program, indicating what knowledge are going to be collected, when and how the data will be collected, who will collect the data, and how the data will be analyzed. The instrumentation set up specifies all the steps that has to be completed for the study. This ensures that the researcher has carefully thought through all these decisions and that he/she provides a step-by-step plan to be followed in the study.

Step 7: Collect Data

Once the instrumentation set up is completed, the particular study begins with the gathering of knowledge. The collection of knowledge may be a crucial step in providing the data required to answer the analysis question. Every study includes the gathering of some kind of data—whether it's from the literature or from subjects—to answer the analysis question. Data is collected within the type of words on a survey, with a questionnaire, through observations, or from the literature

Once the information area unit collected on the variables, the scientist is prepared to maneuver to the ultimatestep of the method, which is the data analysis.

Step 8: Analyze the Data

All the time, attempt, and resources devoted to steps 1 through 7 of the research process finish in this final step. The researcher finally has data to examine so that the research question can be answered. In the instrumentation sketch, the researcher specified how the data will be analyzed. The researcher currently analyzes the information according to the plan. The results of this analysis are then reviewed and summarized in a manner directly related to the research questions.

Hypothesis

Legislature of Republic of India dispatch Startup India crusade to help enterprise in India's young age who in spite of being prepared and fit to dispatch their very own endeavors become subordinate upon different kinds of occupations and stay under utilized.

Start-up Key facts

- Startup headquartered in India which was opened to help little associations under seven years back and has a yearly turnover under ₹25 crore (US$3.9 million).
- Department of Science and Technology , Ministry of HRD have collaborated in an activity to set up 75 Startup help center points in the National Institutes of Technology (NITs), IITs, IISERs and NIPERs.

- The Reserve Bank of India has guaranteed to find a way to help improve the 'simplicity of doing organizations in the nation and add to an environment that is favorable for the development of new companies.

Startup is great idea…needs encouragement

India as the most youthful country on the planet and colossal in general populace has one of the biggest shopper base on the planet. For each selective expect of each portion of populace there is open door for new pursuit. Our human services, training, foundation. Frameworks are in desperate need of up degree where new businesses can have gigantic effect.

Challenges and hurdles

New companies are confronting numerous difficulties and obstacles regardless of responsibility by the Government to give all the help and money. New businesses think that its hard to approach credit. Pulling in speculators to store adventures or getting credits from banks are lasting issues for new businesses. Area is another obstacle. Area relies upon speculation exercises moreover.

Action Plan

The activity plan uncovered by Mr. Modi is a wave creator, yet to make it a central improvement for the development of new businesses, it is particularly important that the ability to choose the reasonability and presence of new businesses is detracted from the 'between pastoral board.' It is recommended that rather than 'between clerical board,' a leading group of 'proficient specialists' ought to be set up to pick on the achievability of begin – ups. Further, to ensure that this leading group of 'proficient specialists' takes unprejudiced choices on the applications got, a last arrangement of guidelines ought to be made to direct its lead while settling on any choice on the 'presence and reasonability' just as 'qualification for tax reductions' of new businesses. On account of any contentions emerging out of biased choices, one ought to be given an alternative to approach the Indian Judiciary.

India's need of gifted work is huge to the point that National Skill Development Corporation (NSDC) has been ordered to aptitude 150 million Indians by 2022.

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